The Wealth Management Business Model of Insurance Company

With gradually increasing demand for wealth management by changes in social and economical environment, financial institutions are now trying to provide diverse wealth management services. Despite the customers’ needs and growth potential of wealth management services, domestic insurance companies were slow to participate in wealth management business.

Weak investment spending of insurance companies in wealth management services comes from the absence of a suitable business model and the unfavorable regulations, comparing with other financial institution. Fearing for the uncertainty over profitability, they are reluctant to bear the expense, caused by the expansion of wealth management business.

Currently, they are seeking for a business model, which is oriented with financial investment program, for themselves. However, this business model is quite different from global insurance companies, actively operating wealth management services. Considering these circumstances, insurance companies are necessary to discover core services, having more specialty than any other financial institutions, and seek business model to control costs produced by provisions of these services.

In this study we suggest that it is necessary to recognize wealth management services as a broad concept above financial investment services. And we propose insurance trust programs as one of the services to ensure competitiveness for insurance companies, and
analyze insurance companies' strategies to effectively offer it. The main results are following:

First, insurance companies' inducements to expand wealth management services have been increasing. They are more likely to choose in-house model is at initial stage with high marginal costs, but arms length affiliate model is more beneficial in case marginal costs are low by building infrastructure.

Second, in the aspects of contents of core services insurance companies consider to provide retirement pension trust and collective investment property with institutional customers. With gradually increasing the importance of personal responsibility of retirement income, they are necessary to examine the provisions of advisory insurance, targeted to personal customers.

Finally, trust services out of the ranges trust business on the Capital Market Act require to complimentarily prescribed by Insurance Act. Moreover, considering insurance companies have the low possibility to conflicts of interests than financial investment companies, regulations of the insurance companies should be relaxed.